

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6301

BILL NUMBER: HB 1129

NOTE PREPARED: Dec 8, 2014

BILL AMENDED:

SUBJECT: Prekindergarten Education.

FIRST AUTHOR: Rep. Errington

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill expands the Prekindergarten Pilot Program to include 13 counties that were selected as finalist counties by the Office of the Secretary of Family and Social Services Administration (FSSA) but were not selected as one of the 5 initial pilot counties. The bill provides that the Pilot Program in finalist counties is to be funded from the State Lottery Administrative Trust Fund. The bill also makes an appropriation.

Effective Date: Upon passage; July 1, 2015.

Explanation of State Expenditures: *Summary:* The bill would spend \$40 M annually from the Administrative Trust Fund to provide prekindergarten services in 13 counties specified in the bill beginning in FY 2016 and continuing through FY 2026. The 13 counties specified in the bill are: Bartholomew, Delaware, Elkhart, Grant, Howard, Kosciusko, Lawrence, Madison, Noble, St. Joseph, Tippecanoe, Vigo, and Wayne.

The bill requires the Lottery Commission to transfer \$40 M annually in lottery profits from the Administrative Trust Fund to the Prekindergarten Pilot Program Fund established by the bill. This transfer would reduce the distribution of lottery profits from the Administrative Trust Fund to the Build Indiana Fund (BIF) by \$40 M annually.

The cost of providing prekindergarten services in these counties is estimated to be \$7.2 M in FY 2016 and a maximum of \$17 M in FY 2017. The Prekindergarten Pilot Program Fund is a nonreverting fund. Consequently, any funds that go unspent during the year would remain in the Fund and not be reverted to the state General Fund.

Additional Information:

Pilot Program Costs: The 5 counties selected for the Prekindergarten Pilot Program are expected to provide services to approximately 1,800 eligible children with an appropriation of \$10 M. The average scholarship per child is calculated to be approximately \$5,500. After FY 2015, there is no funding source for the 5 counties currently participating in the pilot program absent legislative or administrative action.

The 13 expansion counties currently have enough qualified providers to serve 1,500 eligible children, but could provide services to approximately 3,400 children by FY 2017 with additional qualified providers. The bill only funds scholarships in these 13 counties (and not the 5 original pilot program counties) with an annual \$40 M transfer from the BIF through FY 2026.

Given the average scholarship amount in the current pilot program, this bill could increase state costs by \$7.2 M in FY 2016 to provide services to 1,500 children, and could grow to \$17 M in FY 2017 if 3,400 children receive prekindergarten scholarships.

Impact on the BIF: Under current law, the BIF is guaranteed to receive \$250 M annually in revenue from the following sources: (1) lottery profits; (2) pari-mutuel taxes; (3) surplus revenue from the Charity Gaming Enforcement Fund; and (4) revenue from the state General Fund. The distribution from the state General Fund covers any shortfall in revenue below the \$250 M guarantee level from the other three sources.

According to estimates provided by Hoosier Lottery, BIF will receive lottery profits in the amount of \$305 M in FY 2016, and \$350 M in FY 2017 and FY 2018. The transfer will increase annually thereafter. This is in addition to about \$3.3 M estimated to be transferred to the Fund from pari-mutuel taxes and surplus revenue from the Charity Gaming Enforcement Fund. The bill will reduce the lottery profits transfer to BIF by \$40 M each year for ten years starting in FY 2016. Since the remaining amount transferred to the BIF is estimated to be above the \$250 M guarantee level, the bill will not impact the state General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: FSSA.

Local Agencies Affected:

Information Sources: Pre-Kindergarten Pilot Program information website, <http://www.in.gov/fssa/4899.htm>, Melanie Brizzi, Division of Family Resources. Hoosier Lottery presentation to the State Budget Committee, November 20, 2014.

Fiscal Analyst: Bill Brumbach, 232-9559; Randhir Jha, 232-9556.